



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
607 North 8th Street
BOISE, IDAHO 83702

MINUTES
OF
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., August 26, 2008. The following members were present:

Chairman Jody B. Olson
Cliff Hayes
Bill Deal
Jeff Cilek

J. Kirk Sullivan was present via telephone for the executive session and excused from the regular session. Executive Director Alan H. Winkle, Deputy Director Don Drum, Chief Investment Officer Robert Maynard, Investment Officer Richelle Sugiyama, Deputy Attorney General Joanna Guilfoy, Financial Officer James Monroe, and Management Assistant Cheri Campbell were also in attendance. Betsy Griffith handled the electronic projection of materials and documents discussed in the meeting. Other persons attending portions of the meeting were:

Robin Nettinga	IEA
Rod MacKinnon	MPIA
Jim Coleman	Retired Teachers
Charlie Brown	Retired Educators
Phil Bartlett	Clearwater
Larry Johnson	EFIB
Brent Nye	Boise School District
Lucinda Smith	BNY Mellon
Amanda Maxwell	BNY Mellon
Bruce Reeder	MPIA
Drew Black	DFB
Brian McGrath	DBF
Goeff Bridges	Milliman

Chris Halverson	EFIB
Larry Johnson	EFIB
Dennis Fitzpatrick	DBF
Lee Miller	Eide Bailly
Jane Buser	BSU
Patrice Perow	PERSI
Rose Marie Sawicki	PERSI
Cecile McMonigle	PERSI
Debbie Buck	PERSI
Judy Aitken	PERSI
Diane Kaiser	PERSI

EXECUTIVE SESSION

Citing Idaho Code §67-2345(a) and §67-2345(b) which authorizes an Executive Session to discuss personnel matters, and §67-2345(1) for legal counsel by motion duly made by Trustee Deal and seconded by Trustee Cilek and approved unanimously, the Board convened in Executive Session at 8:30 a.m. They reconvened in regular session at 9:10 p.m. During the session, they discussed a salary increase for CIO Bob Maynard. Trustee Sullivan moved to award Mr. Maynard a 5% increase effective immediately and a 20% bonus. Trustee Cilek seconded and the motion passes unanimously.

No decisions were made on personnel hiring or legal matters during the Executive Session.

MINUTES

Approval of the Minutes: By motion duly made by Trustee Cilek and seconded by Trustee Deal, the Board unanimously approved the minutes of the July 22, 2008 meeting as presented.

PORTFOLIO

Callan Quarterly Report: Michael O'Leary reviewed the performance of the fund for the period ending June 30, 2008. PERSI outperformed its target policy index for the June quarter and trailing 12-month period. On balance, the Board's important strategic decisions had mixed impacts for both the quarter and the full year. Global portfolios lagged pure domestic equity portfolios for both spans. Emerging markets and TIPS helped results for both periods while REITS detracted in both periods. Direct real estate helped in both periods as did private equity.

DC Stable Value Fund Update: Mr. O'Leary briefly discussed the PERSI DC plan SEI Stable Value Fund.

Monthly Investment Report: Mr. Maynard reviewed the month to date Investment Report dated August 25, 2008. The markets continue to be focused on the same general themes: the existence, depth, and length of a US recession, European and Asian slowing, oil and other commodity price rises (and, recently,

drops), the impact and spread of inflation, and the status and broader economic impact of the credit crisis.

The total fund for the month is down -1.4%, and for the new fiscal year is down -2.2%, at \$10.685 billion. The fund is behind the strategic benchmark (55% US equity (Russell 3000), 15% international equity (EAFE), and 30% investment grade fixed income (Lehman Aggregate)), by -0.67%. As opposed to previous months, active equity management is adding slightly to returns, but has been more than offset by the weight to international markets embedded in the global equity mandates.

Mr. Maynard also reviewed a PowerPoint presentation regarding Hedge Funds.

Investment Manager Comments: Brian McGrath with DBF said he believes the economy has reached the maximum point of worry and they are seeing early signs of recovery. He stated that Idaho is a magnet for development with its low wage structure and low startup costs.

Dennis Fitzpatrick with DBF stated that global inflation is now affecting emerging markets. This is helping the US economy with a stronger dollar pulling money from abroad.

Doug Bates with Clearwater introduced their new employee, Solemn. He stated that they would like to start having a Sr. Trader attend PERSI Board meetings once a quarter so the Trustees can hear directly from the traders.

Phil Bartlett, Sr. Trader for Clearwater, stated they do not anticipate another rate change from the Fed before elections. They are still watching the Fannie Mae/Freddie Mac and Lehman Bros issues.

Rod MacKinnon with MPIA said he agrees with Dennis and Brian that we are seeing early signs of recovery. If we don't have positive returns in the next few years it will be the worst decade on record. He believes a significant downturn in oil prices will affect inflation, etc.

DC PLAN UPDATE

FY2008 Choice Plan Report: Jean Cassanos, Strategic Business Unit Manager with ACS, reviewed the FY 2008 DC Plan report that was previously distributed to the Trustees. She highlighted contributions, asset allocations, transfers and participant access statistics.

Keith Kotfica, Div. Vice Pres. for ACS, gave a presentation on the enhancements being made to the ACS website to improve customer service.

Communication Campaign Update: Lori Block and Mark Mathson with Buck Consulting (an ACS company) presented the Trustees with proofs of the new communication materials. They emphasized that the new materials will include a comparison chart, web tour, and more cutting-edge materials. They believe the new materials have more of an emotional punch.

Trustee Deal asked when the new materials would go into production. Buck replied they are just finishing the testing phase and expect to have the materials available later this fall.

DIRECTOR UPDATES

Executive Director's Status Report: Director Winkle reviewed his status report previously provided to the Trustees. He provided an update on the FRF COLA which is 5.1% effective January 1, 2009. He also reviewed the progress on the transfer of sick leave from BSU to CWI. BSU will be heading this legislation.

Appeal of Director's Decision –Brager: Mr. Tom Brager is appealing the Director's decision to not allow him to apply for disability after the one year application date set by statutes. The Trustees were provided copies of correspondence between Mr. Brager and PERSI and also notes from telephone calls with Mr. Brager. Trustee Deal moved to uphold the Director's decision. The motion was seconded by Trustee Hayes and passed unanimously.

New Employer: Rock Creek Fire Protection District in Kimberly, Idaho has requested admittance to the PERSI system effective September 1, 2008. They have two employees plus three elected/appointed officials. No entry cost is due for this employer. By motion made by Trustee Deal and seconded by Trustee Hayes, the Board unanimously approved this admittance to the system.

Deputy Director's Status Update: Deputy Director Don Drum asked the Trustees for any questions regarding his report previously distributed to them. He then updated them on the need for a software upgrade to help PERSI continue to provide exceptional customer service. An assessment is underway and will be completed by November. He outlined the process from that point.

LEGAL

2009 Legislature Approval: Deputy Attorney General Joanna Guilfooy presented a draft of the proposed Legislation that will be submitted for the upcoming Legislative Session. Trustee Deal made a motion to accept staff recommendation that the Board approve the proposed legislation and Statement of Purpose/Fiscal Note and that the Board authorize their submission to DFM. Motion was seconded by Trustee Hayes and passed unanimously.

FISCAL

Fiscal Update: Financial Officer Jim Monroe reviewed the report dated August 18, 2008 that was previously distributed to the members.

FY 2010 Budget Request: Mr. Monroe presented the FY2010 proposed budget to the Trustees. In response to a question from Chairman Olson, he provided a breakdown of the budget approval process. All funds are provided by the Trust, there are no state general funds. The request includes the one-time multiyear IT project request of \$13.5 million. When the project amount is removed, the regular budget request is 3% increase over the current year budget. Trustee Hayes moved to accept the budget as presented, Trustee Deal seconded and the motion passed unanimously.

Quarterly Financial Report: Debbie Buck asked the Trustees if there were any questions about the Quarterly Financial Statements that had been distributed to them. She pointed out that the total receivable had decreased and total prepaid expenditures had increased. The increase was due to an increase in retiree payroll.

GFOA Excellence in Financial Reporting Award: Chairman Olson recognized CFO Jim Monroe and the Fiscal Staff for receiving the GFOA Award again this year. Mr. Monroe acknowledged that this award is largely due to the work Debbie Buck does. Chairman Olson presented the plaque to Mr. Monroe and Ms. Buck.

FUTURE BOARD MEETINGS

Chairman Olson asked the Trustees to consider having the December meeting moved one week to the 16th of December. The members will be polled by staff regarding schedules to accommodate this change.

Adjournment: There being no further business to come before the Board, meeting adjourned at 11:33 p.m.

Alan H. Winkle
Executive Director

Jody B. Olson
Chairman